

STATE OF CALIFORNIA
PUBLIC EMPLOYEES' RETIREMENT SYSTEM
BOARD OF ADMINISTRATION
INVESTMENT COMMITTEE

DELEGATION RESOLUTION

Subject: Professional Staff
Real Assets

Delegation No: 11-01-INV

WHEREAS,

1. In accordance with Government Code section 20120, the Board of Administration of the California Public Employees' Retirement System (the Board) is charged with the administration and management of the California Public Employees' Retirement System (CalPERS), and
2. In accordance with Government Code section 20171, the Board is also charged with the exclusive control of the administration and investment of the Public Employees' Retirement Fund (the Fund), and
3. In accordance with Article XVI, section 17 of the California Constitution, the Board has plenary authority and fiduciary responsibility for the investment of CalPERS assets, and
4. In accordance with Government Code section 20099, the Board is authorized to appoint a committee of one or more of its members to perform any act within the power of the Board itself to perform, and may through express delegation authorize any such committee to act finally, and
5. In accordance with Government Code section 20099, the Board may authorize its Chief Executive Officer (CEO) to perform any act within the power of the Board itself to perform, and may through express delegation authorize the CEO to act finally, and
6. The Board has adopted a Statement of Governance Principles relevant to the granting of delegations, and
7. Through Board Delegation Resolution No. 89-01 and pursuant to Government Code section 20191, the Board delegated to its Investment Committee the authority to make, through final action and by the affirmative vote of at least seven members, any investment authorized by law, and to re-delegate its authority to others, and

8. Through Board Delegation Resolution No. 04-05-BD and pursuant to Government Code section 20099, the Investment Committee re-delegated to its Policy Subcommittee the authority to draft new policies and recommend modifications to existing policies to the Investment Committee, provide periodic reports to the Investment Committee, and make other necessary or appropriate recommendations to the Investment Committee, and
9. Through Board Delegation No. 95-101, the Board has delegated to the CEO principal authority and responsibility to direct and manage staff to execute the policies adopted by the Board and administer the various programs consistent with the policies, and to re-delegate to others, and
10. The Board and its committees retain the implied authority, pursuant to Government Code Section 20099, to re-delegate their authority directly to the Chief Investment Officer (CIO) and Senior Investment Officers and such re-delegations are deemed to have been made through the CEO and the CIO.
11. The July 1, 2011 ~~May 16, 2011~~ overarching Statement of Investment Policy (Policy) for Real Assets governs the Real Assets class, which is comprised of the Real Estate program, as well as the Infrastructure and Forestland programs (which were contained in the former Inflation-Linked Asset Class.) The Policy superseded all former Real Estate and Inflation-Linked Asset Class policies.

RESOLVED,

- (A) Recognizing the respective roles of the CEO as the internal leader of the organization and the CIO as the principal investment expert, and yet also wishing to gain the full benefit of the unique asset allocation and investment expertise of the Senior Investment Officer (SIO)-Real Assets, the Investment Committee hereby delegates to the CIO and SIO-Real Assets, the authority described in the attached Real Assets delegations (the "Delegations").
- (B) Where such Delegations do not prohibit sub delegation, the CIO and the SIO-Real Assets are authorized to re-delegate to his or her subordinates any portion or all of the responsibility delegated to the CIO and SIO-Real Assets.
- (C) Where such Delegations do not specifically require the Investment Committee's review or ratification prior to action, the CIO or the SIO-Real Assets has the authority to act finally, and to re-delegate, and will be responsible and accountable for his or her actions.

- (D) The exercise of authority under the Delegations shall be reported to the Investment Committee in sufficient detail to keep the Investment Committee appropriately informed and in order for the Investment Committee to monitor the performance of the CIO and the SIO-Real Assets.
- (E) Upon adoption by the Investment Committee all Delegations will expressly supercede all prior delegations regarding Real Estate and the Inflation Linked Asset Class, including without limitation, the Real Estate authority delegated to the SIO-Real Estate (No. 07-01-INV) and the Inflation Linked Asset Class authority delegated to the SIO-Real Estate and Inflation Linked Asset Class (No. 10-01-INV).
- (F) It is understood that the Real Assets Delegations and the grant of authority are created with the intent to fully comply, in letter and in spirit, with all federal and state laws and regulations, as well as all CalPERS Policies and procedures as approved by the Investment Committee or the full Board of Administration.

GEORGE DIEHR
CHAIR, INVESTMENT COMMITTEE
BOARD OF ADMINISTRATION
CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT
SYSTEM

I accept this delegation.

Dated: _____

JOSEPH A. DEAR
CHIEF INVESTMENT OFFICER
INVESTMENT OFFICE
CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT
SYSTEM

I accept this delegation.

Dated: _____

THEODORE H. ELIOPOULOS
SENIOR INVESTMENT OFFICER – REAL ASSETS
INVESTMENT OFFICE
CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT
SYSTEM

Attachment A**Real Assets Delegations**

Within each of the following subject areas (as shown in italics), the Investment Committee (the “Committee”) delegates (as shown in bold) the following authority to the CIO or SIO-Real Asset Class (the “SIO-Real Assets”)

I. *Authority to Allocate Assets*

- A. *Authority to Establish Asset Classes and Asset Allocation (Targets and Ranges) for the Total Fund
(No Delegation)*
- B. *Authority to Establish Programs/Sectors Within an Existing Asset Class
(No Delegation)*
- C. *Authority to Make Allocation Decisions Within the Asset Class and Among Programs/Sectors*
 - 1. **To manage the asset allocations to the Real Assets (“RA”) Component Programs within the ranges set forth in policy approved by the Committee.**
Real Assets Policy: Sections III.A & V; Attachments A-C, Section V
 - 2. **To manage program/sector allocations for the RA Component Programs within approved ranges as set forth in policy approved by the Committee.**
Real Assets Policy: Sections III.A & V; Attachments A-C, Section V
 - 3. **To manage diversification in the RA Component Program Portfolios as set forth in policy approved by the Committee.**
Real Assets Policy: Attachments A & B, Sections II, V, VI, VII, VIII; Attachment C, Sections II, V, VI
 - 4. **To borrow, manage, retire and dispose of Debt Financing Amounts and manage leverage in the RA Component Programs as set forth in policy approved by the Committee.**
Real Asset Policy: Attachment A, Section X; Attachments B & C
 - a. **To commit to a Debt Financing Amount within the Real Estate Component Program as follows:**

The SIO-Real Assets may commit to an Existing Investment a new Debt Financing Amount up to 2.5% of the Real Estate Program Policy Target Amount, not to exceed \$750 million; and the CIO may commit to an Existing Investment a new Debt Financing Amount up to

5% of the Real Estate Program Policy Target Amount, not to exceed \$1,500 million.

The SIO-Real Assets may retire early, dispose of, renew, or extend an Existing Debt Financing Amount up to 10% of the Real Estate Program Policy Target Amount, not to exceed \$2,500 million; and the CIO may retire early, dispose of, renew, or extend an Existing Debt Financing Amount up to 15% of the Real Estate Program Policy Target Amount, not to exceed \$3,750 million.

b. To commit to a Debt Financing Amount within the Infrastructure Private Portfolios as follows:

The SIO-Real Assets may commit to an Existing Investment a new Debt Financing Amount up to 15% of the Infrastructure Program Policy Target Amount, not to exceed ~~\$465~~750 million; and the CIO may commit to an Existing Investment a new Debt Financing Amount up to 30% ~~in the Core and Value Add portfolios and up to 20% in the Opportunistic portfolio~~ of the Infrastructure Program Policy Target Amount, not to exceed ~~\$934~~1,500 million, ~~and \$620 million respectively.~~

The SIO-Real Assets may retire early, dispose of, renew, or extend an existing Debt Financing Amount up to 15% of the Infrastructure Program Policy Target Amount, not to exceed ~~\$465~~750 million, and the CIO may retire early ~~and dispose, of an existing Debt Financing Amount up to 30%, and~~ renew or extend an existing Debt Financing Amount up to ~~230%~~30% of the Infrastructure Program Policy Target Amount, not to exceed ~~\$934~~1,500 million, ~~and \$620 million respectively.~~

c. To commit to a Debt Financing Amount within the Infrastructure Public Listed Portfolio as follows:

The CIO or SIO-Real Assets may commit to an Existing Investment a new Debt Financing Amount up to 10% of the Infrastructure Program Policy Target Amount, not to exceed ~~\$340~~500 million.

The CIO or SIO-Real Assets may retire early, ~~and dispose of, an existing Debt Financing Amount up to 15%, and~~ renew or extend an existing Debt Financing Amount up to 10% of the Infrastructure Program Policy Target

~~Amount, not to exceed \$465,500 million, and \$310 million respectively; and the CIO may retire early and dispose of an existing Debt Financing Amount up to 30%, and renew or extend an existing Debt Financing Amount up to 10% of the Infrastructure Program Policy Target Amount, not to exceed \$931 million and \$310 million respectively.~~

- d. To commit a Debt Financing Amount to any single private direct Infrastructure investment as follows:

The SIO-Real Assets may commit to an Existing Investment a new Debt Financing Amount up to 15% of the Infrastructure Program Policy Target Amount, not to exceed ~~\$465,750~~ million, and the CIO may commit to an Existing Investment a new Debt Financing Amount up to 30% of the Infrastructure Program Policy Target Amount, not to exceed ~~\$1,500,934~~ million.

The SIO-Real Assets may retire early, dispose of, renew, or extend an existing Debt Financing Amount up to 15% of the Infrastructure Program Policy Target Amount, not to exceed ~~\$465,750~~ million, and the CIO may retire early, dispose of, renew, or extend an existing Debt Financing Amount up to 30% of the Infrastructure Program Policy Target Amount, not to exceed ~~\$934,1,500~~ million.

- e. To commit to a Debt Financing Amount within the Forestland Component Program as follows:

The SIO-Real Assets may commit to an Existing Investment a new Debt Financing Amount up to 10% of the Forestland Program Policy Target Amount, not to exceed \$250 million, and the CIO may commit to an Existing Investment a new Debt Financing Amount up to 20% of the Forestland Program Policy Target Amount, not to exceed \$500 million.

The SIO-Real Assets may retire early, dispose of, renew, or extend an existing Debt Financing Amount up to 25% of the Forestland Program Policy Target Amount, not to exceed \$517 million, and the CIO may retire early, dispose of, renew, or extend an existing Debt Financing Amount up to 50% of the Forestland Program Policy Target Amount, not to exceed \$1,034 million.

- f. To negotiate Debt Financing Amount contract terms, including fees and compensation.**
- g. The following conditions apply to the authority delegated in Section I.C.4.a. through f. above without exception.**
 - (i) All Debt Financing Amounts in the RA Component Programs are subject to the respective Annual Delegation Limits.**
 - (ii) For the CIO or SIO-Real Assets to proceed under delegation in the Real Estate Program with a Debt Financing Amount, a Review by the Real Estate Investment Committee is required.**
 - (iii) For the CIO or SIO-Real Assets to proceed under delegation with a Debt Financing Amount in a RA Component Program, the respective Board Component Program Investment Consultant must document the transaction complies with Policy and Delegation of Authority.**
 - (iv) For the CIO or SIO-Real Assets to proceed under delegation with a Debt Financing Amount greater than \$50 million in a RA Component Program, an independent due diligence engagement resulting in a concurring Prudent Person Opinion on the merits of the transaction following a Fiduciary Standard of Care is required from a respective RA Component Program Investment Pool Consultant other than the respective Board Component Program Investment Consultant. Additionally, whenever a Prudent Person Opinion is required, the CIO or SIO-Real Assets shall also request an opinion regarding Delegation of Authority from the CalPERS Legal Office.**
 - (v) The CIO or SIO-Real Assets may request an independent due diligence engagement and Prudent Person Opinion for a Debt Financing Amount less than or equal to \$50 million from a respective RA Component Program Investment Pool Consultant other than the respective Board Component Program Investment Consultant; however, in such cases, neither an engagement nor a concurring Prudent Person Opinion is required for the CIO or SIO-Real**

Assets to proceed under delegation. If the CIO or SIO-Real Assets requests a Prudent Person Opinion pursuant to this paragraph, the CIO or SIO-Real Assets may also request an opinion regarding Delegation of Authority from the CalPERS Legal Office, however, such an opinion is not required for the CIO or SIO-Assets to proceed under delegation.

- (vi) **New Debt Financing Amounts or leverage levels committed to in conjunction with a commitment of an Investment Amount to a Relationship, as referenced in the sections below, are not subject to the limits described in Section I.C.4.a. through f. above but are subject to the applicable leverage sections of the RA Policy Component Programs (Attachments A-C) described in Section I.C.4. above.**

II. **Authority to Make Investment Decisions**

A. *Authority to Directly Invest In and Dispose of Public Securities*

1. **To select, commit funds to, manage and dispose of Investment and Disposition Amounts in public securities within the Real Estate and Infrastructure Component Programs as set forth in policy approved by the Committee.**

Real Assets Policy: Section III.A; Attachment A, Sections V, VII, VIII, Attachment A3; Attachments B & C

2. **To commit to an Investment or Disposition Amount within the Real Estate Domestic Tactical Portfolio as follows:**

The SIO-Real Assets may commit to a New or Existing Investment an Investment or Disposition Amount up to 2.5% of the Real Estate Program Policy Target Amount, not to exceed \$750 million, and the CIO may commit to a New or Existing Investment an Investment or Disposition Amount up to 5% of the Real Estate Program Policy Target Amount, not to exceed \$1,500 million.

3. **To commit to an Investment or Disposition Amount within the Real Estate Legacy Portfolio as follows:**

The SIO-Real Assets may commit to an Existing Investment an Investment or Disposition Amount up to 2.5% of the Real Estate Program Policy Target Amount, not to exceed \$750 million; and the CIO may commit to

an Existing Investment an Investment or Disposition Amount up to 5% of the Real Estate Program Policy Target Amount, not to exceed \$1,500 million.

4. **To commit to an Investment or Disposition Amount within the Infrastructure Public Listed Portfolio as follows:**

The CIO or SIO-Real Assets may commit to a New Investment an Investment or Disposition Amount up to 7% of the Infrastructure Program Policy Target Amount, not to exceed \$217 million, and the CIO may commit to a New Investment an Investment or Disposition Amount up to 10% of the Infrastructure Program Policy Target Amount, not to exceed ~~\$310~~500 million.

The CIO or SIO-Real Assets may commit to an Existing Investment an Investment or Disposition Amount up to 10% of the Infrastructure Program Policy Target Amount, not to exceed ~~\$310~~500 million.

5. **To negotiate Investment and Disposition Amount contract terms including fees and compensation.**
6. **The following conditions apply to the authority delegated in Section II.A.2 through 5. above without exception.**
- (a) All Investment and Disposition Amounts in the Real Estate and Infrastructure Component Programs are subject to the respective Annual Delegation Limits.**
 - (b) All Investment Amounts in the Real Estate Component Program are subject to the Maximum Relationship Exposure limits.**
 - (c) For the CIO or SIO-Real Assets to proceed under delegation in the Real Estate Program with an Investment or Disposition Amount, a Review by the Real Estate Investment Committee is required.**
 - (d) For the CIO or SIO-Real Assets to proceed under delegation with an Investment or Disposition Amount in the Real Estate and Infrastructure Component Programs, the respective Board Component Program Investment Consultant must document the transaction complies with Policy and Delegation of Authority.**

- (e) **For the CIO or SIO-Real Assets to proceed under delegation with an Investment or Disposition Amount greater than \$50 million in the Real Estate and Infrastructure Component Programs, an independent due diligence engagement resulting in a concurring Prudent Person Opinion on the merits of the transaction following a Fiduciary Standard of Care is required from a respective Real Estate or Infrastructure Investment Pool Consultant other than the respective Board Component Program Investment Consultant. Additionally, whenever a Prudent Person Opinion is required, the CIO or SIO-Real Assets shall also request an opinion regarding Delegation of Authority from the CalPERS Legal Office.**
- (f) **The CIO or SIO-Real Assets may request an independent due diligence engagement and Prudent Person Opinion for an Investment or Disposition Amount less than or equal to \$50 million from a respective Real Estate or Infrastructure Investment Pool Consultant other than the respective Board Component Program Investment Consultant; however, in such cases, neither an engagement nor a concurring Prudent Person Opinion is required for the CIO or SIO-Real Assets to proceed under delegation. If the CIO or SIO-Real Assets requests a Prudent Person Opinion pursuant to this paragraph, the CIO or SIO-Real Assets may also request an opinion regarding Delegation of Authority from the CalPERS Legal Office, however, such an opinion is not required for the CIO or SIO-Assets to proceed under delegation.**

B. *Authority to Select, Commit Funds to, and Dispose of/Exit Investments in Private Investment Vehicles*

- 1. **To select, commit funds to, manage and dispose of Investment and Disposition Amounts in Private Investment Vehicles in the RA Component Programs within approved ranges as set forth in policy approved by the Committee.**
Real Asset Policy: Section III.A; Attachment A, Sections V, VII, VIII, Attachment A3; Attachments B & C
- 2. **The delegated authority for the Real Estate Component Program is the same as the authority delegated under Section II.A.2. and 3. above without exception, substituting “private investment vehicles” for public securities.**

3. To commit to an Investment or Disposition Amount within the Infrastructure Private Portfolios as follows:

The SIO-Real Assets may commit to a New Investment an Investment or Disposition Amount up to ~~15~~10% in the ~~Defensive Core and Defensive Plus Value-Add portfolios~~, and up to ~~7.5% in the Extended Opportunistic portfolios~~, of the Infrastructure Program Policy Target Amount, not to exceed ~~\$465~~500 million and ~~\$233~~ million respectively; the CIO may commit to a New Investment an Investment or Disposition Amount up to ~~3~~20% in the ~~Defensive and Defensive Plus Core and Value-Add portfolios~~ and up to ~~15~~10% in the ~~Opportunistic Extended~~ portfolio, of the Infrastructure Program Policy Target Amount, not to exceed ~~\$931~~1,000 million and ~~\$465~~500 million respectively.

The SIO-Real Assets may commit to an Existing Investment an Investment or Disposition Amount up to ~~10~~5% of the Infrastructure Program Policy Target Amount, not to exceed ~~\$465~~500 million; the CIO may commit to an Existing Investment an Investment or Disposition Amount up to ~~30% in the Core and Value-Add portfolios~~ and up to ~~20% in the Opportunistic portfolio~~, of the Infrastructure Program Policy Target Amount, not to exceed ~~\$931~~1,000 million, and ~~\$620~~ million respectively.

4. To commit to any single direct Infrastructure Investment or Disposition Amount as follows:

The CIO or SIO-Real Assets may commit to a New or Existing Investment an Investment or Disposition Amount up to 10% of the Infrastructure Program Policy Target Amount, not to exceed ~~\$310~~500 million.

5. To commit to an Investment or Disposition Amount within the Forestland Component Program as follows:

The SIO-Real Assets may commit to a New Investment an Investment or Disposition Amount up to 10% of the Forestland Program Policy Target Amount, not to exceed \$250 million, and the CIO may commit to a New Investment an Investment or Disposition Amount up to

20% of the Forestland Program Policy Target Amount, not to exceed \$500 million.

The SIO-Real Assets may commit to an Existing Investment an Investment or Disposition Amount up to 10% of the Forestland Program Policy Target Amount, not to exceed \$250 million, and the CIO may commit to an Existing Investment an Investment or Disposition Amount up to 20% of the Forestland Program Policy Target Amount, not to exceed \$500 million.

- 6. To negotiate Investment and Disposition Amount contract terms, including fees and compensation.**
- 7. The following conditions apply to the authority delegated in Sections II.B.2. through 6. above without exception.**
 - (a) All Investment and Disposition Amounts in the RA Component Programs are subject to the respective Annual Delegation Limits.**
 - (b) All Investment Amounts in the Real Estate Component Program are subject to the Maximum Relationship Exposure limits.**
 - (c) For the CIO or SIO-Real Assets to proceed under delegation in the Real Estate Program with an Investment or Disposition Amount, a Review by the Real Estate Investment Committee is required.**
 - (d) For the CIO or SIO-Real Assets to proceed under delegation with an Investment or Disposition Amount in the RA Component Programs, the respective Board Component Program Investment Consultant is required to document the transaction complies with Policy and Delegation of Authority.**
 - (e) For the CIO or SIO-Real Assets to proceed under delegation with an Investment or Disposition Amount greater than \$50 million in the RA Component Programs, an independent due diligence engagement resulting in a concurring Prudent Person Opinion on the merits of the transaction following a Fiduciary Standard of Care is required from a respective RA Component Program Investment Pool Consultant other than the respective Board Component Program**

Investment Consultant. Additionally, whenever a Prudent Person Opinion is required, the CIO or SIO-Real Assets shall also request an opinion regarding Delegation of Authority from the CalPERS Legal Office.

- (f) The CIO or SIO-Real Assets may request an independent due diligence engagement and Prudent Person Opinion for an Investment or Disposition Amount less than or equal to \$50 million from a respective RA Component Program Investment Pool Consultant other than the respective Board Component Program Investment Consultant; however, in such cases, neither an engagement nor a concurring Prudent Person Opinion is required for the CIO or SIO-Real Assets to proceed under delegation. If the CIO or SIO-Real Assets requests a Prudent Person Opinion pursuant to this paragraph, the CIO or SIO-Real Assets may also request an opinion regarding Delegation of Authority from the CalPERS Legal Office, however, such an opinion is not required for the CIO or SIO-Assets to proceed under delegation.**

- 8. To perform investment management including but not limited to undertaking action pursuant to investor rights, contract amendments, consents, and waivers, subject to applicable law and policies/procedures approved by the Committee.**

Real Assets Policy: Section III.A

C. *Authority to Directly Invest In and Dispose Of Private Securities*

The delegated authority is the same as the authority delegated under Sections II.B.1. through 7. above without exception, including the stated conditions, substituting “private securities” for Private Investment Vehicles.

D. *Authority to Fund Investment Managers Retained through a Contractual Arrangement*

- 1. To select, commit funds to, manage and dispose of Investment and Disposition Amounts in the RA Component Programs within approved ranges as set forth in policy approved by the Committee.**

Real Asset Policy: Section III.A; Attachment A, Sections III.A, V, VII, VIII.A, Attachments B & C

2. **To commit to an Investment or Disposition Amount within the Real Estate Base Core Portfolio as follows:**

The SIO-Real Assets may commit to a New Investment an Investment or Disposition Amount up to 5% of the Real Estate Program Policy Target Amount, not to exceed \$1,500 million; and the CIO may commit to a New Investment an Investment or Disposition Amount up to 10% of the Real Estate Program Policy Target Amount, not to exceed \$2,500 million.

The SIO-Real Assets may commit to an Existing Investment an Investment or Disposition Amount up to 2.5% of the Real Estate Program Policy Target Amount, not to exceed \$750 million; and the CIO may commit to an Existing Investment an Investment or Disposition Amount up to 5% of the Real Estate Program Policy Target Amount, not to exceed \$1,500 million.

3. **To commit to an Investment or Disposition Amount in the Real Estate Domestic Tactical and International Tactical Portfolios as follows:**

The SIO-Real Assets may commit to a New or Existing Investment an Investment or Disposition Amount up to 2.5% of the Real Estate Program Policy Target Amount, not to exceed \$750 million; and the CIO may commit to a New or Existing Investment an Investment or Disposition Amount up to 5% of the Real Estate Program Policy Target Amount, not to exceed \$1,500 million.

4. **To commit to an Investment or Disposition Amount in the Real Estate Legacy Portfolio as follows:**

The SIO-Real Assets may commit to an Existing Investment an Investment or Disposition Amount up to 2.5% of the Real Estate Program Policy Target Amount, not to exceed \$750 million; and the CIO may commit to an Existing Investment an Investment or Disposition Amount up to 5% of the Real Estate Program Policy Target Amount, not to exceed \$1,500 million.

5. **The delegated authority for the Infrastructure and Forestland Component Programs is the same as the authority delegated under Section II.B.3. through II.B.5. above without exception,**

including the stated conditions, substituting investment managers retained through a contractual arrangement for private investment vehicles.

6. To negotiate Investment and Disposition Amount contract terms, including fees and compensation.
7. The following conditions apply to the authority delegated in Section II.D.2. through 6. above without exception.
 - (a) All Investment and Disposition Amounts in the RA Component Programs are subject to the respective Annual Delegation Limits.
 - (b) All Investment Amounts in the Real Estate Component Program are subject to the Maximum Relationship Exposure limits.
 - (c) For the CIO or SIO-Real Assets to proceed under delegation in the Real Estate Program with an Investment or Disposition Amount, a Review by the Real Estate Investment Committee is required.
 - (d) For the CIO or SIO-Real Assets to proceed under delegation with an Investment or Disposition Amount in the RA Component Programs, the respective Board Component Program Investment Consultant is required to document the transaction complies with Policy and Delegation of Authority.
 - (e) For the CIO or SIO-Real Assets to proceed under delegation with an Investment or Disposition Amount greater than \$50 million in the RA Component Programs, an independent due diligence engagement resulting in a concurring Prudent Person Opinion on the merits of the transaction following a Fiduciary Standard of Care is required from a respective RA Component Program Investment Pool Consultant other than the respective Board Component Program Investment Consultant. Additionally, whenever a Prudent Person Opinion is required, the CIO or SIO-Real Assets shall also request an opinion regarding Delegation of Authority from the CalPERS Legal Office.
 - (f) The CIO or SIO-Real Assets may request an independent due diligence engagement and Prudent

Person Opinion for an Investment or Disposition Amount less than or equal to \$50 million from a respective RA Component Program Investment Pool Consultant other than the respective Board Component Program Investment Consultant; however, in such cases, neither an engagement nor a concurring Prudent Person Opinion is required for the CIO or SIO-Real Assets to proceed under delegation. If the CIO or SIO-Real Assets requests a Prudent Person Opinion pursuant to this paragraph, the CIO or SIO-Real Assets may also request an opinion regarding Delegation of Authority from the CalPERS Legal Office, however, such an opinion is not required for the CIO or SIO-Assets to proceed under delegation.

E. Authority Relating to Shareowner Resolutions and Proxy Execution

1. **To manage investor interests in Infrastructure investments, including exercising investor rights under shareholder, partnership or other investment agreements, as set forth in policy approved by the Committee.**

Real Asset Policy: Section III.A; Attachments B

F. Authority Relating to Hedge Transactions

1. **To approve derivative transactions for the purposes of hedging exposure of i) the US dollar value of investments, which includes amounts up to the acquisition cost, and/or distributions, and subsequent changes in fair value, to changes in foreign currency exchange rate and ii) the acquisition financing of prospective investments to changes in interest rates for periods between the investment commitment date and closing or the earliest date thereafter practicable to terminate the hedge, or upon termination of the commitment. All such transactions are deemed "Hedge Transactions".** Real Assets, Attachment B, Section III, A, 6 and I. Policy for Development of Derivatives Strategies

(a) In undertaking Hedge Transactions, derivative contracts may be entered into in amounts necessary to hedge exposures, or to unwind, offset or reduce such Hedge Transactions.

(b) Execution of Hedge Transactions shall be performed by Staff within CalPERS Fixed Income Unit in

**accordance with the Policy for Development of
Derivatives Strategies and under the Delegated
Authority of the SIO Fixed Income.**

III. Authority to Make Contracting Decisions

A. *Authority to Select and Terminate Investment Managers*

1. **To make all selection, management, restructure, termination, and asset transfer decisions regarding Investment Managers within the RA Component Programs.**
Real Asset Policy: Section III; Attachments A-C
2. **To negotiate contract terms including fees and compensation.**
3. **The following conditions apply to the authority delegated in Section III.A.1. and 2. above without exception.**
 - (a) **All selection, management, restructure, termination, and asset transfer decisions in the Real Estate Component Program are subject to the Maximum Relationship Exposure Limits.**
 - (b) **Only Investment, Disposition, and Debt Financing Amounts committed to a Relationship in the RA Component Programs in conjunction with a restructure, termination, or asset transfer decision, are subject to the limits described in Section I.C.4.a. through f., Section II.A.2. through 4., Section II.B.2. through 5., Section II.C., and Section II.D.2. through 5. above without exception. For purposes of clarification, the existing Net Asset Value (dollar amount) of asset transfers will not be subject to the above limits.**

B. *Authority to Select and Terminate Investment Consultants Other than Board's Investment Consultants*

1. **To manage a "spring-fed" pool of External Resources to meet the needs of the RA Component Programs, subject to applicable law and policies/procedures approved by the Committee.**
Real Asset Policy: Section III; Attachments A-C

Definitions

Annual Delegation Limit – The ratio, as the case may be, of the individual total actual annual Investment Amounts, Disposition Amounts, and Debt Financing Amounts relative to the respective Real Asset (“RA”) Component Program Amounts.

In Real Estate, for allocations to new investments the Base Core portfolio, the limit is 25%, not to exceed \$6,000 million; in the Domestic Tactical portfolio, 10%, not to exceed \$2,500 million; in the International Tactical portfolio, 10%, not to exceed \$2,500 million; in the Total Real Estate portfolio, 30%, not to exceed \$7,000 million. For allocations to existing investments in the Total Real Estate portfolio, the limit is 20%, not to exceed \$5,000 million. For retiring early, disposing of, renewing, or extending existing Debt Financing Amounts in the Total Real Estate portfolio, the limit is 30%, not to exceed \$7,000 million.

In Infrastructure, for allocations to new investments in the ~~Core Defensive~~ portfolio, the limit is 40%, not to exceed ~~\$1,651~~2,000 million; in the ~~Value Add~~Defensive Plus portfolio, 40%, not to exceed ~~\$1,651~~2,000 million; in the ~~Opportunistic~~Extended portfolio, ~~21~~10%, not to exceed ~~\$825~~500 million; in the Public listed portfolio, 10%, not to exceed ~~\$412~~500 million; in the Total Infrastructure portfolio, 50%, not to exceed ~~\$2,603~~2,500 million. For allocations to existing investments in the Total Infrastructure portfolio, the limit is ~~43~~30%, not to exceed ~~\$1,651~~1,500 million. For borrowing new money for existing investments and retiring early, disposing of, renewing, or extending existing Debt Financing Amounts in the Total Infrastructure portfolio, the limit is ~~43~~30%, not to exceed ~~\$1,651~~1,500 million.

In Forestland, for allocations to new investments in the Total Forestland portfolio, the limit is 40%, not to exceed \$1,000 million; for allocations to existing investments in the Total Forestland portfolio, 40%, not to exceed \$1,000 million; for borrowing new money for existing investments in the Total Forestland portfolio, 40%, not to exceed \$1,000 million. For retiring debt early, disposing of, renewing, or extending Debt Financing Amounts in the Total Forestland portfolio, the limit is 50%, not to exceed \$1,034 million.

Board Component Program Investment Consultant – The consultant approved by CalPERS’ Board and designated as the Board’s respective Real Estate, Infrastructure, or Forestland Investment Consultant.

Component Program Investment Pool Consultant – Consultants and advisors qualified through a public contracting process to perform consulting and advisory work, but who do not exercise investment discretion, for the respective RA Component Program including, the Real Estate Program, the Infrastructure Program, and the Forestland Program. The consultants and advisors make up the External Resources of the “spring-fed” pool.

Debt Financing Amount – Refers to any debt financing amounts committed to by or on behalf of a Relationship. May include, but is not limited to, public, private, secured or unsecured, fixed or variable rate credit lines, subscription lines, credit guarantees, credit accommodations, property debt, portfolio debt, joint venture or entity debt for commingled funds, separate accounts or targeted transactions.

Disposition Amount – Refers to any amounts for disposition, of any investment amounts committed to a Relationship. May include, but is not limited to, annual dispositions, multi-year dispositions or commitments to commingled funds, separate accounts or targeted transactions.

Existing Investments – Investments within a CalPERS RA Component Program portfolio for a one-year period or longer.

External Resources – Consultants and advisors qualified through a public contracting process to perform consulting and advisory work for the RA Component Programs. May include but is not limited to management consultants, accountants, attorneys, industry specialists, traditional pension fund consultants, investment bankers, or industry experts.

Fiduciary Standard of Care – The consultant or external resource shall discharge its duties with respect to this system solely in the interest of the participants and beneficiaries by acting with the care, skill, prudence, and diligence under the circumstances then prevailing that a prudent person acting in a like capacity and familiar with those matters would use in the conduct of an enterprise of a like character and with like aims.

Forestland Program Policy Target Amount – Equals CalPERS' Total Fund Market Value multiplied by the current Forestland Program Policy Target Percentage.

Individual Total Actual Annual Investment, Disposition, and Debt Financing Amounts – The sum, as the case may be, of the respective Investment Amounts, Disposition Amounts, and Debt Financing Amounts allocated during an annual period.

Infrastructure Program Policy Target Amount – Equals CalPERS' Total Fund Market Value multiplied by the current Infrastructure Program Policy Target Percentage.

Infrastructure Public Listed Portfolio - The set of investments within the Infrastructure Program in publicly-listed shares or funds or other publicly-listed vehicles.

Investment Amount - Refers to any capital amounts committed to a Relationship for investment. May include, but is not limited to, annual allocations, multi-year allocations or commitments to commingled funds, separate accounts or targeted transactions.

Maximum Relationship Exposure – In the Real Estate Program, for contractual Relationships in the Base Core portfolio, not to exceed 25%; for contractual Relationships in the Domestic Tactical portfolio, not to exceed 15%; and for contractual Relationships in the International Tactical portfolio, not to exceed 10%; and for contractual relationships in the Legacy portfolio, not to exceed 10%. For contractual relationships in any combination of two, three, or all four of the four portfolios (Base Core, Domestic Tactical, International Tactical, and Legacy), not to exceed 25%.

New Investments – An investment within a CalPERS RA Component Program portfolio for less than a one-year period.

Private Investment Vehicles - Private entities, vehicles and arrangements in which, or through which, privately-held investments are made.

Prudent Person Opinion – An opinion from a consultant or external resource subject to the Fiduciary Standard of Care that the proposed investment is a prudent investment consistent with Article XVI, Section 17(c) of the California Constitution and Section 20151(c) of the California Government Code, i.e., made with the care, skill, prudence, and diligence under the circumstances then prevailing that a prudent person acting in a like capacity and familiar with these matters would use in the conduct of an enterprise of a like character and with like aims.

RA Policy Component Programs – Component programs identified in the Statement of Investment Policy for Real Assets (Attachments A-C) including: the Real Estate Program; the Infrastructure Program; and the Forestland Program.

Real Estate Program Policy Target Amount – Equals CalPERS' Total Fund Market Value multiplied by the current Real Estate Program Policy Target Percentage.

Relationship – contractual agreement(s) with (a) an entity or group of affiliated entities; or (b) person or entity or affiliated persons or entities that manage investments on CalPERS' behalf.

Relationship Exposure – In the Real Estate Program, the ratio of a Relationship's applicable investment management contractual Relationship's Net Assets at Fair Market Value plus unfunded commitments relative to the Total Real Estate Portfolio's Net Assets at Fair Market Value plus the Total Real Estate Portfolio's unfunded commitments.

Review – The participation by Real Estate investment professional staff in the Real Estate Investment Committee evaluation process. The Board Real Estate Consultant may observe at the request of the SIO-Real Assets.